

**CITY OF LUCAS, KANSAS**

**FINANCIAL STATEMENT AND INDEPENDENT AUDITORS' REPORT**  
**For the Year Ended December 31, 2017**

**CITY OF LUCAS, KANSAS**

**For the Year Ended December 31, 2017**

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# /GUDENKAUF & MALONE, INC.

## Shareholder

Pamela Gudenkauf, CPA

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## Shareholder

James Malone, CPA

### Independent Auditors' Report

Honorable Mayor and City Council  
City of Lucas, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Lucas, Kansas as of and for the year ended December 31, 2017, and the related notes to the financial statement.

#### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note A of the financial statement, the financial statement is prepared by the City of Lucas, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Lucas, Kansas as of December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

### *Unmodified Opinion on Regulatory Basis of Accounting*


In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Lucas, Kansas as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

### *Other Matters*

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

We previously auditing, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Lucas, Kansas as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated June 21, 2017, which contained an unmodified opinion on the basis financial statement. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2016 actual column (2016 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2017 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note A.



Gudenkauf & Malone, Inc.

August 2, 2018



**CITY OF LUCAS, KANSAS**

**Summary Statement of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2017**

**Statement 1**

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payables	Ending Cash Balance
GENERAL FUND	\$ 42,133	\$ -	\$ 206,926	\$ 243,962	\$ 5,097	\$ 9,944	\$ 15,041
SPECIAL PURPOSE FUNDS							
Library	76	-	8,516	8,345	247	-	247
Airport	5,352	-	4,619	9,108	863	7,475	8,338
Industrial Development	279	-	9,390	9,669	-	-	-
Special Highway	2,825	-	10,530	8,603	4,752	-	4,752
Total Special Purpose Funds	8,532	-	33,055	35,725	5,862	7,475	13,337
TRUST FUND							
McCrystal Trust	4,471	-	4,674	7,130	2,015	-	2,015
BUSINESS FUNDS							
Electric Utility	66,087	4,400	626,260	651,873	44,874	48,744	93,618
Electric Utility Reserve	47,000	-	-	-	47,000	-	47,000
Sewer Utility	6,817	-	66,082	66,246	6,653	-	6,653
Sewer Utility Reserve	2,000	-	-	-	2,000	-	2,000
Water Utility	36,909	-	82,357	99,215	20,051	969	21,020
Water Utility Reserve	34,000	-	-	-	34,000	-	34,000
Sanitation Utility	4,856	-	46,813	50,640	1,029	40	1,069
Total Business Funds	197,669	4,400	821,512	867,974	155,607	49,753	205,360
CAPITAL PROJECT FUND							
Airport Improvement Fund	-	-	-	67,283 *	(67,283)	67,283	-
Total reporting Entity (Excluding Agency Funds)	<u>\$ 252,805</u>	<u>\$ 4,400</u>	<u>\$ 1,066,167</u>	<u>\$ 1,222,074</u>	<u>\$ 101,298</u>	<u>\$ 134,455</u>	<u>\$ 235,753</u>
Composition of Cash:							
				Checking Account			\$ 85,753
				Certificates of Deposit			150,000
				Total reporting Entity (Excluding Agency Funds)			<u>\$ 235,753</u>

\* See note B

The notes to the financial statement are an integral part of this statement.

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

The City of Lucas, located in Russell County, Kansas, was incorporated in the late 1880's. Lucas engages in a minimal range of municipal services, including general government administration, water, sewer, electric, and refuse services for the residents of the City.

The City of Lucas is a municipal corporation governed by an elected six-member City Council comprised of the Mayor and five at large members. The regulatory financial statement presents the City of Lucas, Kansas (the municipality) and does not include the following Related Municipal Entity:

Lucas Library

Related Municipal Entity

The City of Lucas has omitted the financial data of the Lucas Library which is a related municipal entity. The financial data of the Library has not been audited. The City of Lucas' Public Library board operate the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City.

Basis of Accounting

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The *Kansas Municipal Audit and Accounting Guide (KMAAG)* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

Regulatory Basis Fund Types

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.



City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Project Fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.).

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There was no such budget amendment for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds:

Electric Reserve Fund      Water Reserve Fund      Sewer Reserve Fund

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Reimbursements

The City of Lucas records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

Property Tax

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County appraiser annually determines assessed valuations based on real estate transactions recorded by the Register of Deeds and personal property transactions reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are assessed on a calendar year basis and become a lien on property on November 1 of each year. The taxes are due one-half on December 20<sup>th</sup> and one-half the following May 10<sup>th</sup>. Any taxes unpaid at the due dates are considered delinquent.

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current operation of the City and therefore are not susceptible to accrual.

Undistributed taxes from the prior year levy are recognized as income in the current year. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statement taken as a whole.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

As shown in Statement 1, the City was in apparent violation with K.S.A. 10-1113 in the Airport Improvement Fund, however, K.S.A. 10-1116 provides that under certain situations, the funds can end the year with a negative unencumbered cash balance and therefore, be exempt from the cash basis laws of the State of Kansas. These funds met the criteria under the statutes and therefore, are deemed not to be in violated with the Kansas cash basis law.

K.S.A. 12-1608 requires the treasurer of a city of the third class to file an annual statement showing beginning and ending cash balances, receipts, and expenditures of each fund. The statement is to be published within 30 days after December 31 of each year. The annual statement for 2017 was published in June 2018.



City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2017

NOTE C – DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investments choices.

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City had no designated "peak periods." All deposits were legally secured at December 31, 2017.

At December 31, 2017 the City's carrying amount of deposits was \$235,753 and the bank balance was \$243,639. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$243,639 was covered by federal depository insurance.

*Custodial credit risk-investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE D – INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
Electric	General	12-825d	\$50,000
Water	General	12-825d	21,000
Sanitation	General	12-825d	5,500
Electric	Airport	12-825d	1,200

NOTE E – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS / COMMITMENTS

Other post-employment benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2017

NOTE E – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS / COMMITMENTS - CONTINUED

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences

Seasonal employees are not eligible to earn compensated absences. Regular full time employees working 40 hours per week will earn 3.69 hours of sick leave per every 80 hours worked. Part time employees working 30 hours per week will earn 2.77 hours per 60 hours worked. Thirty-six days of sick leave may be carried forward to the following year. An employee that terminates in good standing will be paid for unused sick leave up to 36 days at 1/2 their regular pay rate. Sick leave begins accruing on the first day of employment. The total accrued sick leave liability at December 31, 2017 was \$6,507.

Regular full time employees earn vacation at the following rates:

<u>Years of Continued Employment</u>	<u>Hours Earned Per 2 Week Pay Period</u>	<u>Equivalent Work Days</u>
1st year	1.538	To be calculated
2-4	1.538	5
5-10	3.077	10
11+	4.615	15

Eighty hours of vacation leave may be carried forward to the following year. An employee that terminates in good standing will be paid for unused vacation leave. Vacation leave begins accruing on the first day of employment, but is not available to use until after the 90 day probationary period. Total accrued vacation at December 31, 2017 was \$5,133.

Bereavement leave of 3-5 days is available to regular full time employees, depending upon their relationship to the deceased.

NOTE F – DEFINED BENEFIT PENSION PLAN

*Plan Description* – The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Contributions* – K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for



City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the City of Lucas were \$14,582 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the City of Lucas's proportionate share of the collective net pension liability reported by KPERS was \$133,794. The net pension liability was measured as of June 30, 2017, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

NOTE G – CLAIMS AND JUDGMENTS

Risk Management

The City participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of the date of this report, the grant expenditures have not been audited but the City believed that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased commercial insurance for these potential risks. There were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations, the City is a party to various claims, legal actions and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2017

NOTE H – RELATED PARTY TRANSACTIONS

In a governmental entity, related parties include members of the governing body, council members, administrative officials, and immediate families of administrative officials, council members, and members of the governing body. Required disclosures on related party transactions do not include compensation arrangements, expense allowances and similar items incurred in the ordinary course of operations. The following are not required to be reported, but are presented for information only.

Angel Accounting - Accounting	\$226
Ryan Cook, City Treasurer	
Employee	
Leach & Naegele - Various Supplies	8,434
Trent Leach, Council Member	
Owner	
Lucas Area Chamber of Commerce	10,000
Tarry Dougherty, Council Member	
Spouse is an employee	
Lucas Publishing - Newspaper Publishing	2,247
Gary Bretz, Employee	
Spouse is an employee	
Postmaster - Postage	2,025
Sarah Rowden, Council Member	
Employee	

NOTE I – INDUSTRIAL REVENUE BONDS

In December 2007, the council approved Ordinance No. 372 authorizing the City to issue IRB's Series A, 2007 and Series B, 2007 (Great Plains Manufacturing, Inc.) in the aggregate principal amount of \$2,100,000. The City accepted ownership of the property and leased it back to Great Plains Manufacturing, Inc. The series 07B was paid off in 2015. The trustee of the bond erroneously confirmed a balance due on the 07A bond at Dec. 31, 2016. The payoff of the 07A bond actually occurred in 2016 before the sale of Great Plains Manufacturing, Inc. The land was deeded out of the City's name. There is no outstanding balance on either bond. The City, as issuer, had no obligation for the debt beyond the resources received from the third party.

NOTE J – CAPITAL PROJECT

In September 2017, the council approved a bid for resurfacing of the airport. The project was completed in July 2018. The actual cost was \$74,759. \$7,475 was encumbered in the airport fund with the balance encumbered into the capital project fund. The Kansas Department of Transportation awarded the City a grant to reimburse the City 90%, up to a maximum of \$79,210.

The following is a summary of capital project authorizations and expenditures to date:

<u>Project Name</u>	<u>Authorized</u>	<u>Expended/Encumbered</u> <u>Thru 12/31/17</u>	<u>Estimated</u> <u>Completion</u>
Airport Improvement	\$79,210	\$67,283	July 2018



City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2017

NOTE K – BUILDING PURCHASE

In May 2017, the council approved the purchase of the Troy's Grocery Store building for \$60,000. The net purchase of \$58,375 was paid from the General Fund. The council appointed a committee for the building plans.

NOTE K – SUBSEQUENT EVENTS

In February 2018, the council approved "not to exceed" \$15,000 of road work to be paid from the Special Highway Fund.

In March 2018, the council approved to purchase a baseball field groomer not to exceed \$15,000.

In April 2018, the City received a \$5,000 grant and purchased a used groomer for \$5,900. Council also approved repair of \$10,257 to the fiberglass tank at nitrate plant.

In July 2018, the council accepted an engineering contract, not to exceed \$5,000, for project design plans for the City's utility extension improvement project.

Management has evaluated the effects of the financial statement of subsequent events occurring through the date of this report which is the date at which the financial statement was available to be issued.

**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**



# CITY OF LUCAS, KANSAS

## Summary of Expenditures - Actual and Budget Regulatory Basis For the Year Ended December 31, 2017

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:					
General	\$ 274,786	\$ -	\$ 274,786	\$ 243,962	\$ (30,824)
Special Purpose Funds					
Library	9,250	-	9,250	8,345	(905)
Airport	9,300	-	9,300	9,108	(192)
Industrial Development	11,000	-	11,000	9,669	(1,331)
Special Highway	10,345	-	10,345	8,603	(1,742)
Business Funds					
Electric Utility	791,155	-	791,155	651,873	(139,282)
Sewer Utility	97,041	-	97,041	66,246	(30,795)
Water Utility	143,895	-	143,895	99,215	(44,680)
Sanitation Utility	55,909	-	55,909	50,640	(5,269)
Total	<u>\$ 1,402,681</u>	<u>\$ -</u>	<u>\$ 1,402,681</u>	<u>\$ 1,147,661</u>	<u>\$ (255,020)</u>

# CITY OF LUCAS, KANSAS

## Schedule of Receipts and Expenditures - Actual and Budget Regulatory Basis For the Year Ended December 31, 2017 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

### Schedule 2-1

#### GENERAL

		2017		Variance
	2016			Over
	Actual	Actual	Budget	(Under)
<b>Receipts</b>				
Ad Valorem Tax	\$ 38,062	\$ 38,604	\$ 40,213	\$ (1,609)
Motor Vehicle Tax	9,131	6,465	9,516	(3,051)
Licenses and Permits	1,255	1,335	1,850	(515)
Sales Tax	44,234	36,904	43,000	(6,096)
Franchise Tax	8,141	8,943	12,000	(3,057)
Intangible Tax	-	705	-	705
Alcoholic Liquor Tax	567	845	330	515
Rental Income	7,866	7,890	8,250	(360)
Grants and Reimbursements	58,650	27,688	-	27,688
Municipal Court	-	-	250	(250)
Interest on Idle Funds	339	507	350	157
Sale of Assets	61,129	-	-	-
Miscellaneous	4,913	540	9,850	(9,310)
Insurance Receipts	19,505	-	-	-
Reimb. State of KS - Dump Site	68,000	-	-	-
Transfer from Electric Utility	-	50,000	-	50,000
Transfer from Sanitation Utility	-	5,500	-	5,500
Transfer from Water Utility	50,000	21,000	50,000	(29,000)
<b>Total Receipts</b>	<b>371,792</b>	<b>206,926</b>	<b>\$ 175,609</b>	<b>\$ 31,317</b>
<b>Expenditures</b>				
Personal Services	40,901	45,101	55,000	(9,899)
Employee Benefits	19,107	25,726	38,104	(12,378)
Library	1,698	955	3,350	(2,395)
Contractual Services	141,535	60,771	46,350	14,421
Commodities	105,927	39,386	39,011	375
Capital Outlay	25,799	59,900	70,471	(10,571)
Neighborhood Revitalization	-	10,225	-	10,225
Street Maintenance	20,263	1,898	22,500	(20,602)
<b>Total Expenditures</b>	<b>355,230</b>	<b>243,962</b>	<b>\$ 274,786</b>	<b>\$ (30,824)</b>



**CITY OF LUCAS, KANSAS**

**Schedule of Receipts and Expenditures - Actual and Budget**

**Regulatory Basis**

**For the Year Ended December 31, 2017**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

**Schedule 2-1**

**GENERAL**

	2016 Actual	2017		Variance Over (Under)
		Actual	Budget	
Total Expenditures	<u>355,230</u>	<u>243,962</u>	<u>\$ 274,786</u>	<u>\$ (30,824)</u>
Receipts Over (Under) Expenditures	16,562	(37,036)		
Unencumbered Cash, Beginning	<u>25,571</u>	<u>42,133</u>		
Unencumbered Cash, Ending	<u>\$ 42,133</u>	<u>\$ 5,097</u>		

**CITY OF LUCAS, KANSAS**

**Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

**Schedule 2-2**

**LIBRARY FUND**

		<u>2017</u>		
	2016	Actual	Budget	Variance Over (Under)
	Actual			
Receipts				
Ad Valorem Tax	\$ 7,371	\$ 7,214	\$ 7,515	\$ (301)
Motor Vehicle Tax	1,680	1,302	1,843	(541)
Total Receipts	9,051	8,516	\$ 9,358	\$ (842)
Expenditures				
Appropriations	9,000	8,345	9,250	(905)
Total Expenditures	9,000	8,345	\$ 9,250	\$ (905)
Receipts Over (Under) Expenditures	51	171		
Unencumbered Cash, Beginning	25	76		
Unencumbered Cash, Ending	\$ 76	\$ 247		



# CITY OF LUCAS, KANSAS

## Schedule of Receipts and Expenditures - Actual and Budget Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

Schedule 2-3

### AIRPORT FUND

		2017		Variance
	2016	Actual	Budget	Over
	Actual			(Under)
Receipts				
Ad Valorem Tax	\$ 2,373	\$ 2,718	\$ 2,331	\$ 387
Motor Vehicle Tax	679	-	593	(593)
Miscellaneous Income	351	701	650	51
Transfer from Electric	-	1,200	-	1,200
Total Receipts	3,403	4,619	\$ 3,574	\$ 1,045
Expenditures				
Capital Outlay	-	7,475	7,000	475
Insurance	2,245	1,633	2,300	(667)
Total Expenditures	2,245	9,108	\$ 9,300	\$ (192)
Receipts Over (Under) Expenditures	1,158	(4,489)		
Unencumbered Cash, Beginning	4,194	5,352		
Unencumbered Cash, Ending	\$ 5,352	\$ 863		

**CITY OF LUCAS, KANSAS**

**Schedule of Receipts and Expenditures - Actual and Budget**

**Regulatory Basis**

**For the Year Ended December 31, 2017**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

**Schedule 2-4**

**INDUSTRIAL DEVELOPMENT FUND**

		<u>2017</u>		
	2016			Variance
	Actual	Actual	Budget	Over (Under)
Receipts				
Ad Valorem Tax	\$ 8,083	\$ 7,850	\$ 8,178	\$ (328)
Motor Vehicle Tax	1,738	1,488	2,020	(532)
Interest	105	52	150	(98)
	<u>9,926</u>	<u>9,390</u>	<u>\$ 10,348</u>	<u>\$ (958)</u>
Total Receipts				
Expenditures				
Miscellaneous	-	-	1,000	(1,000)
Chamber of Commerce	10,000	9,669	10,000	(331)
	<u>10,000</u>	<u>9,669</u>	<u>\$ 11,000</u>	<u>\$ (1,331)</u>
Total Expenditures				
Receipts Over (Under) Expenditures	(74)	(279)		
Unencumbered Cash, Beginning	<u>353</u>	<u>279</u>		
Unencumbered Cash, Ending	<u>\$ 279</u>	<u>\$ -</u>		



# CITY OF LUCAS, KANSAS

## Schedule of Receipts and Expenditures - Actual and Budget Regulatory Basis For the Year Ended December 31, 2017 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

Schedule 2-5

### SPECIAL HIGHWAY FUND

		2017		Variance
	2016	Actual	Budget	Over
	Actual			(Under)
Receipts				
State of Kansas	\$ 10,483	\$ 10,530	\$ 10,200	\$ 330
Total Receipts	10,483	10,530	\$ 10,200	\$ 330
Expenditures				
Street Repair & Maintenance	10,342	8,603	10,345	(1,742)
Total Expenditures	10,342	8,603	\$ 10,345	\$ (1,742)
Receipts Over (Under) Expenditures	141	1,927		
Unencumbered Cash, Beginning	2,684	2,825		
Unencumbered Cash, Ending	\$ 2,825	\$ 4,752		

**CITY OF LUCAS, KANSAS**

**Schedule of Receipts and Expenditures  
Regulatory Basis**

**For the Year Ended December 31, 2017**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

**Schedule 2-6**

**MCCRISTAL TRUST FUND**

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts		
Donation	<u>\$ 4,288</u>	<u>\$ 4,674</u>
Total Receipts	<u>4,288</u>	<u>4,674</u>
Expenditures		
Disbursements	<u>-</u>	<u>7,130</u>
Total Expenditures	<u>-</u>	<u>7,130</u>
Receipts Over (Under) Expenditures	4,288	(2,456)
Unencumbered Cash, Beginning	<u>183</u>	<u>4,471</u>
Unencumbered Cash, Ending	<u><u>\$ 4,471</u></u>	<u><u>\$ 2,015</u></u>



# CITY OF LUCAS, KANSAS

## Schedule of Receipts and Expenditures - Actual and Budget

### Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

Schedule 2-7

## ELECTRIC UTILITY

		2017		Variance
	2016			Over
	Actual	Actual	Budget	(Under)
Receipts				
Interest	\$ 600	\$ 474	\$ 650	\$ (176)
Sales	607,939	625,609	678,500	(52,891)
Miscellaneous	447	177	1,500	(1,323)
Total Receipts	<u>608,986</u>	<u>626,260</u>	<u>\$ 680,650</u>	<u>\$ (54,390)</u>
Expenditures				
Personal Services	76,770	80,079	81,000	(921)
Contractual Services	519,906	515,206	529,100	(13,894)
Commodities	6,721	5,388	24,750	(19,362)
Capital Outlay	-	-	86,305	(86,305)
Transfer to General	50,000	50,000	50,000	-
Transfer to Airport	-	1,200	-	1,200
Transfer to Electric Reserve	10,280	-	20,000	(20,000)
Total Expenditures	<u>663,677</u>	<u>651,873</u>	<u>\$ 791,155</u>	<u>\$ (139,282)</u>
Receipts Over (Under) Expenditures	(54,691)	(25,613)		
Unencumbered Cash, Beginning	<u>120,778</u>	<u>66,087</u>		
Prior Year Canceled Encumbrance	-	4,400		
Unencumbered Cash, Ending	<u>\$ 66,087</u>	<u>\$ 44,874</u>		

# CITY OF LUCAS, KANSAS

## Schedule of Receipts and Expenditures - Actual and Budget Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

Schedule 2-8

### SEWER UTILITY FUND

		2017		Variance
	2016	Actual	Budget	Over
	Actual			(Under)
Receipts				
Sales	\$ 68,054	\$ 66,082	\$ 80,000	\$ (13,918)
Total Receipts	68,054	66,082	<u>\$ 80,000</u>	<u>\$ (13,918)</u>
Expenditures				
Personal Services	54,841	57,021	55,000	2,021
Contractual Services	18,086	2,841	13,200	(10,359)
Commodities	3,916	6,384	4,450	1,934
Capital Outlay	-	-	24,391	(24,391)
Total Expenditures	76,843	66,246	<u>\$ 97,041</u>	<u>\$ (30,795)</u>
Receipts Over (Under) Expenditures	(8,789)	(164)		
Unencumbered Cash, Beginning	15,606	6,817		
Unencumbered Cash, Ending	<u>\$ 6,817</u>	<u>\$ 6,653</u>		



# CITY OF LUCAS, KANSAS

## Schedule of Receipts and Expenditures - Actual and Budget Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

Schedule 2-9

### WATER UTILITY FUND

		2017		Variance
	2016			Over
	Actual	Actual	Budget	(Under)
Receipts				
Sales	\$ 82,692	\$ 81,757	\$ 95,000	\$ (13,243)
Connection Fees	2,144	600	-	600
Total Receipts	84,836	82,357	\$ 95,000	\$ (12,643)
Expenditures				
Personal Services	56,282	61,666	61,500	166
Contractual Services	28,852	9,173	13,900	(4,727)
Commodities	3,032	7,376	4,000	3,376
Capital Outlay	-	-	54,495	(54,495)
Transfer to General	-	21,000	-	21,000
Transfer to Water Reserve	12,000	-	10,000	(10,000)
Total Expenditures	100,166	99,215	\$ 143,895	\$ (44,680)
Receipts Over (Under) Expenditures	(15,330)	(16,858)		
Unencumbered Cash, Beginning	52,239	36,909		
Unencumbered Cash, Ending	\$ 36,909	\$ 20,051		

**CITY OF LUCAS, KANSAS**

**Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis**

**For the Year Ended December 31, 2017**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

**Schedule 2-10**

**SANITATION UTILITY FUND**

		<u>2017</u>		
	<u>2016</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Receipts				
Collections	\$ 47,214	\$ 46,813	\$ 51,665	\$ (4,852)
Total Receipts	<u>47,214</u>	<u>46,813</u>	<u>\$ 51,665</u>	<u>\$ (4,852)</u>
Expenditures				
Contractual Services	45,821	45,100	47,500	(2,400)
Capital Outlay	-	-	8,409	(8,409)
Miscellaneous	38	40	-	40
Transfer to General	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>5,500</u>
Total Expenditures	<u>45,859</u>	<u>50,640</u>	<u>\$ 55,909</u>	<u>\$ (5,269)</u>
Receipts Over (Under) Expenditures	1,355	(3,827)		
Unencumbered Cash, Beginning	<u>3,501</u>	<u>4,856</u>		
Unencumbered Cash, Ending	<u>\$ 4,856</u>	<u>\$ 1,029</u>		



**CITY OF LUCAS, KANSAS**

**Schedule of Receipts and Expenditures  
Regulatory Basis**

**For the Year Ended December 31, 2017**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

**Schedule 2-11**

**ELECTRIC RESERVE FUND**

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts		
Transfer from Electric	<u>\$ 10,280</u>	<u>\$ -</u>
Total Receipts	<u>10,280</u>	<u>-</u>
Expenditures		
Capital Outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	10,280	-
Unencumbered Cash, Beginning	<u>36,720</u>	<u>47,000</u>
Unencumbered Cash, Ending	<u>\$ 47,000</u>	<u>\$ 47,000</u>

**CITY OF LUCAS, KANSAS**

**Schedule of Receipts and Expenditures  
Regulatory Basis**

**For the Year Ended December 31, 2017**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

**Schedule 2-12**

**SEWER RESERVE FUND**

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts		
Transfer from Sewer	<u>\$ -</u>	<u>\$ -</u>
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
Capital Outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>2,000</u>	<u>2,000</u>
Unencumbered Cash, Ending	<u><u>\$ 2,000</u></u>	<u><u>\$ 2,000</u></u>



**CITY OF LUCAS, KANSAS**

**Schedule of Receipts and Expenditures  
Regulatory Basis**

**For the Year Ended December 31, 2017**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

**Schedule 2-13**

**WATER RESERVE FUND**

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts		
Transfer	<u>\$ 12,000</u>	<u>\$ -</u>
Total Receipts	<u>12,000</u>	<u>-</u>
Expenditures		
Capital Outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	12,000	-
Unencumbered Cash, Beginning	<u>22,000</u>	<u>34,000</u>
Unencumbered Cash, Ending	<u><u>\$ 34,000</u></u>	<u><u>\$ 34,000</u></u>

**CITY OF LUCAS, KANSAS**

**Schedule of Receipts and Expenditures**

**Regulatory Basis**

**For the Year Ended December 31, 2017**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)**

**Schedule 2-14**

**AIRPORT IMPROVEMENT FUND**

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts		
Grant	<u>\$ -</u>	<u>\$ -</u>
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
Capital Outlay	<u>-</u>	<u>67,283</u>
Total Expenditures	<u>-</u>	<u>67,283</u>
Receipts Over (Under) Expenditures	-	(67,283)
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (67,283)</u> * See note B